

Message Text

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PAGE 01 TEHRAN 02993 281157Z

ACTION NEA-10

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 7595

INFO :DEPT OF TREASURY WASHDC

C O N F I D E N T I A L TEHRAN 02993

E.O. 11652: GDS

TAGS: EFIN USIRJC

SUBJ: DESIRABILITY OF DOUBLE TAXATION TREATY BETWEEN U.S.

AND IRAN

1. DURING MEETINGS OF U.S.-IRAN JOINT COMMISSION IN WASHINGTON LAST MONTH, THERE WAS A CERTAIN AMOUNT OF INFORMAL CONVERSATION CONCERNING THE DESIRABILITY OF A DOUBLE TAXATION TREATY BETWEEN OUR TWO GOVERNMENTS. IN HIS CONVERSATION WITH SECRETARY VANCE, MINISTER YEGANEH SAID THAT SUCH A TREATY WOULD PROVIDE THE ONLY FORMAL BASIS ON WHICH IRAN COULD OFFER TAX RELIEF TO THOSE U.S.G. EMPLOYEES WHO ARE NOT MEMBERS OF U.S. MISSION, BUT WHO COME TO IRAN FOR EXTENDED PERIODS ON JOINT COMMISSION PROJECTS. PENDING SUCH A TREATY, HE SAID, HE WOULD BE WILLING TO PERMIT "INFORMAL" RELIEF BY HAVING VARIOUS IRANIAN MINISTRIES PAY THE TAXES.

2. IN VIEW OF THIS STATEMENT AND BECAUSE OF INCREASINGLY COMPLEX TAX SITUATIONS FACING U.S. PRIVATE BUSINESS OPERATING IN IRAN, IT IS CLEAR THAT A GOOD FAITH EFFORT ON U.S. PART TO RESUME NEGOTIATIONS ON A DOUBLE TAXATION TREATY IS IN ORDER. THE DEPT WILL RECALL THAT A TREASURY TAX TEAM LED BY ROBERT PATRICK MET WITH MINISTRY OF ECONOMIC AFFAIRS AND FINANCE
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PAGE 02 TEHRAN 02993 281157Z

OFFICIALS (LED BY UNDERSECRETARY DR. AHMAD KOOROS) IN SPRING OF 1975 AND TRANSMITTED A DRAFT CONVENTION TO THE GOI MID-1976. FURTHER PROGRESS APPARENTLY WAS STYMIED BY GOI RELUCTANCE TO CONCLUDE SUCH TREATIES UNTIL ITS LONG-AWAITED TAX REFORM WAS ENACTED. SIGNALS NOW SUGGEST A CHANGE IN THIS DISPOSITION. ON OUR PART, I ASKED SECRETARY BLUMENTHAL, DURING MY RECENT WASHINGTON VISIT, WHETHER HE

WAS PREPARED SUPPORT NEGOTIATION OF SUCH AN AGREEMENT AND RECEIVED POSITIVE RESPONSE.

3. IT IS MY UNDERSTANDING THAT U.S. SENATE, AFTER EXTENDED PERIOD OF OPPOSITION TO RATIFICATION OF DOUBLE TAXATION TREATIES, HAS RECENTLY INDICATED WILLINGNESS TO TAKE FAVORABLE ACTION, WITH PARTICULAR REFERENCE TO U.S.-U.K. TREATY WHICH HAS LAIN BEFORE THE SENATE FOR SOME TIME. DOES THIS PORTEND A FAVORABLE INCLINATION TOWARD DOUBLE TAXATION TREATIES IN GENERAL OR WOULD, IN THE VIEW OF OUR TAX EXPERTS, THERE BE PARTICULAR TROUBLESOME ISSUES VIS-A-VIS IRAN?.

4. ACTION REQUESTED: REQUEST DEPT INSTITUTE ACTION TO AUTHORIZE A RESUMPTION OF NEGOTIATIONS IN TEHRAN OF DOUBLE TAXATION TREATY BETWEEN U.S. AND IRAN. SUCH AUTHORIZATION SHOULD THEN RESULT IN FORMAL PROPOSAL BY THIS EMBASSY TO GOI. PROPOSAL SHOULD BE CONTAINED IN NOTE, REFERRING TO DRAFT CONVENTION CONVEYED TO GOI BY EMBASSY JUNE 7, 1976, INCLUDING WHATEVER MODIFICATIONS AND ADDITIONS ARE CONSIDERED NECESSARY TO MET SPECIAL CIRCUMSTANCES IN IRAN, INCLUDING THOSE OF USG EMPLOYEES SENT HERE TO IMPLEMENT JOINT COMMISSION PROJECTS. IN FORWARDING INSTRUCTIONS THIS SUBJECT, DEPT SHOULD ALSO PROVIDE US WITH STATUS REPORT AND INTERPRETATION OF CURRENT SENATE ATTITUDES TOWARDS RATIFICATION OF DOUBLE TAXATION TREATIES.

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PAGE 03 TEHRAN 02993 281157Z

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